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ABSTRACT

This case study manual, designed for undergraduate or graduate students studying the area of parks and recreation fiscal management, considers the practical, critical skills of budgeting techniques. The manual deals with the most common budgeting styles in a step-by-step approach with case study exercises. Each chapter includes an introduction to a particular budget style, a description of the budget, purposes of the budget, a step-by-step budget process, and advantages and disadvantages of the method considered. Budget styles covered are: object classification, line item, fee, program, performance, planning programming budgeting system, zero-based, activity, function, unit, fund, character, increment-decrement, running, benefit cost, and capital. A final chapter discusses the financial statement, the final aspect of the budget process. (CB)

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The Budget Process in Parks & Recreation

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The Budget Process in Parks and Recreation

A Case Study Manual

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PREFACE

This case study (homework) manual has been prepared for the undergraduate or graduate student studying the area of parks and recreation fiscal management. The purpose of this manual is to provide the student with the critical, practical skills of budgeting techniques and it is not meant to represent a presentation of fiscal and economic theory. The manual deals with the most common budgeting styles in a step by step approach buttressed by a case study exercise for each budget style. Each chapter has an introduction to the budget style, a description of the budget, the purposes of the budget, the step by step budget process followed by the advantages and disadvantages of that budget method. It is the intent of this manual that the student and instructor use the case study experiences to foster an understanding, discussion and practial experience aspect for each budget style. These budget styles are presented in a general fashion, therefore, slight to moderate variations might occur in some budget styles at various parks and recreation agencies.

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Introduction

Of paramount concern to parks and recreation students is the study of budgetary systems that interface with the programs that the emerging professional will be responsible for. The budget process is of such fundamental importance that almost all parks and recreation administration courses and textbooks deal with this concept to some degree. However, the budget process in these courses or texts are usually isolated to only one type of budget and leaves the emerging professional with limited options, except for that one budget type.

There are several budgetary systems which at one time or another may be more effectively utilized than confining oneself to one particular budget style. Described throughout this manual are several budgetary systems moving from very traditional budgets to the most recent budget innovations.

What is a Budget?

The term "budget" in community parks and recreation is used to donate a plan prepared by an executive for financing the work of a program, department or enterprise for a given period of time. Until the budget receives approval of the appropriating body (city council, county commission, state legislature or an administrative entity within the organization) the budget is merely a proposal. After budget approval, the budget becomes a controlling financial plan for carrying out the program of operations and services. Three key aspects of the budget definition are highlighted for more clarity:

1. Plan: The budget is foremost a plan, that is, a design as to where monies will be spent and where the monies will come from.

2. Proposal: Until the budget is approved, the budget represents a proposal, that is, changes may and probably will be made in the plan and the budget is not yet binding.

3. Control: Once the budget is approved, the document becomes a binding and usually legal document that provides a control to the allocation of expenditures. Usually the budget cannot deviate from its approved condition.

Purposes of a Budget

A budget is more than a legally binding financial plan. Indeed, it is a multipurpose document, which reflects and

seeks to serve the information needs of the various users and planners of the budget. The budget generally has three major purposes:

1. Control: The budget controls the allocation of monies through enforced accounting and reporting procedures. These procedures generally control the transfer of monies from one account to another, controls the number of personnel hired or terminated and controls the acquisition of supplies and equipment.

2. Management: The budget serves a management function as the executive responsible for the budget conforms to the budget and therefore allocates monies as the budget dictates. The executive manages the money by following the budget precisely.

3. Planning: The budget provides planning information from a short to long range perspective. The future of large item purchases as well as personnel needs can be planned for by utilizing the budget.

Budget Calendaring

The budget process can be a very complex operation and therefore built-in controls are necessary. One method that community agencies utilize to help provide an orderly and timely budget process is a budget calendar. A budget calendar is established by each community agency (city, county, organization, etc.) so that the various phases of the budget process may flow without interruption or hinderance. The budget calendar is an orderly chronological timetable which identifies certain dates by which different and necessary actions required for the preparation and execution of the budget must occur. The responsibilities of various officials is usually highlighted corresponding to the dates those actions are necessary. The following is an example of a budget calendar that might be used by a community agency:

Responsible Party	Action Necessary	Time Frame
Program Coordinaters	will submit their program budgets to the department head	by Dec. 10
Department Heads	will submit 6 copies of the department budget to the finance officer	by Jan. 15

Finance Officer	will submit 10 copies of the agency's budget to the mayor and city council	by March 1
City Council	will submit 2 copies of the approved budget to the mayor	by April 15
Mayor	will finalize budget with each department head	by May 30
Department Head	will activate budget	on July 1

Regardless of the time sequence of the budget calendar, the parks and recreation professional is responsible for the development and execution of the budget. Generally, the authorization for the budget requests is the sole responsibility of the appropriating body (city council, etc.) that governs the agency. It is critical that the administrator be well versed in the time sequence so that adjustments and adoptions in the budgetary process can be made without losing control of the budget.

Important Questions to Ask about the Budget

For the emerging parks and recreation professional, three questions seem most important regarding the budget process. These three questions should be asked early, (employment interview or first week of employment) and they are:

1. What are my budget responsibilities? Am I responsible for the budget of one program (swimming pool, recreation center, teen club), or am I responsible for budgets that encompass larger entities (parks and recreation department, the cemetary and the maintenance workshop).

2. What budget style or format does the agency use? There are sixteen different ways or methods of preparing and presenting the budget and each style requires different preparation skills.

3. What is my time frame? What does this specific agency's budget calendar look like so it is known how much time the administration has to prepare the budget.

CASE STUDY NO. 1
TOPIC: BUDGET CALENDAR

1. Contact a governmental agency of your choice (city, county, state, federal) and obtain a copy of their budget calendar.

2. Determine from the budget officer the answers to the following questions:

A. Does the budget calendar for your agency provide you with the proper preparation time? Comment.

B. Are there aspects to your agency's budget calendar process that are cumbersome or perhaps "unnecessary." Comment.

C. Have the budget officer explain the type of budget that is used by that agency and highlight the key factors of that budget. Explanation.

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Section 2

Object Classification Budget

Considered by many parks and recreation administrators to be the most traditional budgetary method, the Object Classification System was one of the earliest methods developed and simplest to understand. Most parks and recreation professionals will have need to utilize this particular budget style at one time or another in their professional career.

Description

The Object Classification budget uses two terms that must be defined at the outset:

1. Object: This represents the item that the administrator has a financial cost for, such as telephone bills or salaries for the staff members.

2. Classifications: This represents a uniform method of classifying or grouping the objects into certain categories, such as services, contractual, or repairs.

In the Object Classification method several main classes of expenditure exist with those areas broken down further into sub-classes, that provide detail for the main classifications. Identified below is a typical Object Classification System that might be used by a community parks and recreation agency:

Expenditure Classification by Objects

1000 Services - Personal
- 1100 Salaries, regular
- 1200 Salaries, temporary
- 1300 Wages, regular
- 1400 Wages, temporary
- 1500 Other compensations

2000 Services - Contractual
- 2100 Communication and transportation
  - 2110 Postage
  - 2120 Telephone and telegraph
  - 2130 Freight and express
  - 2140 Traveling expenses
  - 2150 Hired horses and vehicles
- 2200 Subsistence, care and support
  - 2210 Subsistence and support of persons
  - 2220 Subsistence and care of animals
  - 2230 Storage and care of vehicles

2300 Printing, binding, and advertising
2310 Printing
2320 Typewriting and mimeographing
2330 Binding
2340 Photographing and blueprinting
2350 Advertising and publication of notices

2400 Heat light, power, and water
2410 Heating service
2420 Interior lighting service
2430 Street lighting service
2440 Power service
2450 Water service

2500 Repairs
2510 Repairs to equipment
2520 Repairs to buildings and other structures

2600 Janitorial, cleaning, waste removal, and other services

3000 Commodities
3100 Supplies
3110 Stationery
3120 Food products
3130 Forage
3140 Fuels
3150 Gasoline, oils, and lubricants
3160 Clothing and dry goods
3170 Cleaning supplies
3180 Chemicals, drugs, and medicines
3190 Other supplies (e.g. repair parts)

3200 Materials
3210 Lumber and timber
3220 Masonry and road materials
3230 Structural metals
3240 Paints, oils, and glass
3250 Fiber products (woven fabrics, paper, etc.)
3260 Hides, pelts, and leather
3270 Other materials

4000 Current Charges
4100 Rents
4110 Of buildings and offices
4120 Of equipment

4200 Insurance
4210 On buildings and structures
4220 On stores
4230 On equipment
4240 Official bonds
4250 Employers' liability

4300 Refunds, awards, and indemnities

4400 Registrations and subscriptions

5000 Current Obligations
- 5100 Interest
- 5200 Pensions and retirements
- 5300 Grants and subsidies
- 5400 Taxes

6000 Properties
- 6100 Equipment
  - 6110 Furniture, furnishings, and fixtures
  - 6120 Hand tools
  - 6130 Machinery and implements
  - 6140 Vehicles and harness
  - 6150 Motor vehicles
  - 6160 Live stock (not for slaughter)
  - 6170 Instruments and apparatus
  - 6180 Other equipment
- 6200 Buildings and improvements
  - 6210 Buildings and fixed equipment
  - 6220 Walks and pavements
  - 6230 Sewers and drains
  - 6240 Roads
  - 6250 Bridges and viaducts
  - 6260 Piers and wharves
  - 6270 Trees and shrubs
  - 6280 Nonstructural improvements
- 6300 Land

7000 Debt Payments
- 7100 Serial Bonds
- 7200 Sinking fund installments

These classifications must be standarized if they are to be effective when used by a large organization, such as a city or county agency. Therefore, a typical definition of each classification or category might be:

1000 Services - Personal
(Personal services involve salaries and wages paid to persons employed by the government body.)

2000 Services - Contractual
(Contractual services involve work performed for the government through agreement or contract by other than employees, as well as the provision of equipment and furnishing of commodities under agreement.)

2100 Communication and Transportation
(These expenses include the cost of postage, telephone, telegraph, freight, express, and drayage. Also included here are traveling expenses for transporting persons.)

2200 Subsistence, Care, and Support
(These expenses involve the subsistence and care of persons or animals and the storage and care of vehicles.)

2300 Printing, Binding, and Advertising
(These expenses include all charges for printing ding advertising and publication of notices, and expenditures for mimeographing, photography, blueprinting, and binding.)

2400 Heat, Light, Power, and Water
(These expenses include all charges for heat, light, power, and water furnished by the public-utility enterprises.)

2500 Repairs
(These charges include all repair expenses of a contractual nature for buildings, structures, and equipment.)

2600 Janitorial and Other Cleaning Services
(These charges include janitor, towels, bottled water, and waste removal services on a contractual nature.)

3000 Commodities
(This group of expenses includes both supplies and materials.)

3100 Supplies
(A supply is a commodity that is consumed, impaired, or worn out in a reasonably short period of time. For example, stationery, food, fuel, ice, clothing, and motor items are supplies.)

3200 Materials
(Materials are items of a more permanent nature that may be combined or converted to other uses. Here would be included lumber, paints, iron, or other building materials, masonry and road materials, fiber products, leather, and repair parts.)

4000 Current Charges
(Current charges cover those items of expenditure for rent, insurance, licenses, subscriptions, indemnities, and the like, which may be provided through contract at the option of government authorities.)

5000 Current Obligations
(Current obligations include those fixed expenses and binding contracts resulting from previous obligations of the governing authority. Included here would be repayment of temporary loans, interest on the city's debt, grants and subsidies, and other obligatory payments.)

6000 Properties
(Properties include charges for the land, equipment, buildings, structures, and fixed improvements. Equipment as used here includes movable items that, when used, show little impairment or change and have a definite period of usefulness. Furniture, machinery, motor vehicles, tools, and the like readily fall under this classification.)

7000 Debt Payments
(This item includes the amount of annual payments for the reduction of the principal of the government's debt.)

Purposes

The Object Classification budget has several specific purposes which generate its usage. Some of these purposes are:

1. Provides a uniform and standardized method of budgeting particularly within large organizations.

2. Requires that all budget officers set up and present their budgets in a similar manner.

3. Assures that all budget categories are considered when allocating dollars.

4. Provides an accountability and control system.

5. Provides a complete budget picture for the total agency or program.

Steps

The parks and recreation professional who is using the Object Classification System should follow the detailed steps listed below:

Step 1: Obtain your agency's object classification definition sheet which should be similar to the example presented earlier. This will allow the budgeter to define which category the needed expenditures fall in.

Step 2: Obtain from your agency the standard budget sheet which has the code numbers for each of the budget categories. This will allow the budgeter to place in the proper code system the monies that are to be allocated for that category. The example presented earlier should look very similar to the coded budget sheet.

Step 3: Determine how much money will be needed for each category. For example: you determine that you will need to develop six thousand brochures for your summer softball leagues. You have contacted the local printer and they have told you that the brochures will cost $800.00. Therefore, you find category 2000 which represents contractual services (the commercial printer). Then you find category 2300 which identifies printing, binding and advertising (the development of the brochures). You then find category 2310 which represents printing (that is what you are paying for). Then you add the fourth digit for the particular program 2311 (softball program). On the budget sheet it might look like this:

2311	Softball League Brochure(s)	$800.00
2312	Basketball Tournament Brochure(s)	$785.00
	(etc.)	

Step 4: If you are having difficulty determining how much each category will cost, follow the suggestions below:

a. Use last year's budget if one exists so that a budget data base is available for comparison.

b. Contact other executives within your agency who might be able to assist (personnel manager should be able to help you determine accurate personnel costs).

c. Contact outside groups that might be able to provide you with specific cost estimates (i.e. telephone company, power and light company, etc.).

d. Contact as many specific groups as possible that your agency will be doing business with to get estimates for costs (i.e. printer for brochures, etc.)

CAUTION: The Object Classification System may vary from one agency to another. However, the principle guidelines will remain constant. Compare the following example of an object classification budget with the earlier examples:

	Previous Fiscal Year	Current Fiscal Year	Future Fiscal Year
Direct obligations:			
Personnel compensation:			
11.1 Permanent positions	188,453	203,377	204,982
11.3 Positions other than permanent	12,188	12,990	13,227
11.5 Other personnel compensation	11,405	12,156	12,426
Total personnel compensation	212,046	228,523	230,635
12.1 Personnel benefits: Civilian	22,959	25,325	26,800
13.0 Benefits for former personnel	1,989	2,403	2,668
21.0 Travel and transportation of persons	7,438	8,103	9,723
22.0 Transportation of things	2,721	3,165	3,257
23.0 Rent, communications and utilities	36,923	41,678	42,794
24.0 Printing and reproduction	1,841	1,787	2,517
25.0 Other services	81,798	104,970	127,535
26.0 Supplies and materials	21,673	24,301	27,351
31.0 Equipment	29,356	42,579	36,809
32.0 Lands and structures	429	438	615
41.0 Grants, subsidies and contributions	30,257	32,161	31,891
42.0 Insurance claims and indemnities	16	16	16
Subtotal	449,446	515,449	542,611
95.0 Quarters and subsistance	-703	-703	-703
Total direct obligations	448,743	514,746	541,908

Values

The object classification budget system has both positives and potential negatives. The chart below depicts some of those considerations.

Advantages	Disadvantages
1. Uniform and standarized system.	1. May not have the flexibility your program needs.

2. Categories are provided for budgeter.	2. May not be able to find the category you need for a peculiar item or object.
3. Generally easy to set up.	3. Requires a lot of detailed cost estimates.

CASE STUDY NO. 2
TOPIC: OBJECT CLASSIFICATION

1. Prepare an Object Classification Budget using the form and information provided below:

a. total budget - $1,223,196.00
b. number of full time personnel - 30
c. number of temporary staff - 30
d. benefit percent for full time personnel is 12.2% no benefit percentage for part time or temporary staff
e. facilities provided to community - 20,000 sq. ft. center
f. listing of community programs - softball, baseball, basketball, volleyball, tennis, archery, swimming, arts, crafts, dance, music, drama club, open facility, etc.

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1000 Services - Personal
1100 Salaries, regular
1200 Salaries, temporary
1300 Wages, regular
1400 Wages, temporary
1500 Other compensations

2000 Services - Contractual
2100 Communication and transportation
2110 Postage
2120 Telephone and telegraph
2130 Freight and express
2140 Traveling expenses
2150 Hired horses and vehicles

2200 Subsistence, care and support
2210 Subsistence and support of persons
2220 Subsistence and care of animals
2230 Storage and care of vehicles
2300 Printing, binding, and advertising
2310 Printing
2320 Typewriting and mimeographing
2330 Binding
2340 Photographing and blueprinting
2350 Advertising and publication of notices

2400 Heat, light, power, and water
2410 Heating service
2420 Interior lighting service
2430 Street lighting service
2440 Power service
2450 Water service

2500 Repairs
- 2510 Repairs to equipment
- 2520 Repairs to buildings and other structures

2600 Janitorial, cleaning, waste removal, and other services

3000 Commodities

3100 Supplies
- 3110 Stationery
- 3120 Food products
- 3130 Forage
- 3140 Fuels
- 3150 Gasoline, oils, and lubricants
- 3160 Clothing and dry goods
- 3170 Cleaning supplies
- 3180 Chemicals, drugs, and medicines
- 3190 Other supplies (e.g. repair parts)

3200 Materials
- 3210 Lumber and timber
- 3220 Masonry and road materials
- 3230 Structural metals
- 3240 Paints, oils, and glass
- 3250 Fiber products (woven fabrics, paper, etc.)
- 3260 Hides, pelts, and leather
- 3270 Other materials

4000 Current Charges

4100 Rents
- 4110 Of buildings and offices
- 4120 Of equipment

4200 Insurance
- 4210 On buildings and structures
- 4220 On stores
- 4230 On equipment
- 4240 Official bonds
- 4250 Employers' liability

4300 Refunds, awards, and indemnities

4400 Registrations and subscriptions

5000 Current Obligations

5100 Interest

5200 Pensions and retirements

5300 Grants and subsidies

5400 Taxes

6000 Properties

6100 Equipment
- 6110 Furniture, furnishings, and fixtures
- 6120 Hand tools
- 6130 Machinery and implements
- 6140 Vehicles and harness

6150 Motor vehicles
6160 Live stock (not for slaughter)
6170 Instruments and apparatus
6180 Other equipment

6200 Buildings and improvements
6210 Buildings and fixed equipment
6220 Walks and pavements
6230 Sewers and drains
6240 Roads
6250 Bridges and viaducts
6260 Piers and wharves
6270 Trees and shrubs
6280 Nonstructural improvements

6300 Land

7000 Debt Payments
7100 Serial Bonds
7200 Sinking fund installments

Section 3

Line Item Budget

The Line Item Budget is extremely close to the Object Classification Budget in nature and this budget system is considered by many parks and recreation professionals to be the twin-sister of the Object Classification. Their similarities will be come apparent.

Description

The Line Item Budget uses two terms which, like the Object Classification Budget need to be defined:

1. Item: This represents the specific item or object for which monies will need to be allocated, such as postage or equipment purchases.

2. Line: This represents the process of placing the items or objects in a line so that all items appear on the budget sheet.

The major difference between the Line Item Budget and the Object Classification System is two-fold:

1. The Line Item Budget eliminates any numerical coding system, and

2. The Line Item Budget does not have specific and set categories that all items or objects are classified into.

Purposes

The Line Item Budget serves the following purposes:

1. Provides a method of budgeting that is flexible and can be adjusted to that particular agency.

2. Does not rely on a standardized coding system and hence provides for ease of administration.

3. Provides the budget picture for aspects of the agency or program.

Steps

The Line Item Budget is very easy to prepare and establish. The following steps are helpful.

Step 1: Determine what items that the agency will need to

have financial allocations made for (personnel salaries, equipment, etc.)

Step 2: Determine how much each of those items will cost and place that figure across from the corresponding category.

Public Safety Fund Expenditures

Account Title	Last Year Actual	This Year Actual	Next Year
Police Department			
Salaries	$387361	$417407	$451460
Heat and Light	11741	11215	11800
Telephone and Telegraph	4387	4523	4500
Postage	18	38	40
Travel and Training	339	462	950
Freight	40	75	100
Ambulance Service	9600	11370	14880
Doctor and Hospital	2221	819	2500
Legal Notices	33	30	100
Printing	498	471	500
Investigations	4	...	100
Court Costs and Fees	...	42	100
Office Equipment Repairs	593	347	600
Bldg. and Bldg. Equipment Repairs	6497	5738	6500
Towels and Laundry	149	67	150
Dues	15	21	25
Disinfectants	332	300	350
Office Supplies	2187	2094	2550
Gasoline and Oil	10117	10072	10500
Motor Vehicle Supplies and Repair	6497	5738	6500
Jail Food	2972	2797	3000
Janitor Supplies	108	109	250
Medical Supplies	4	6	25
Wearing Apparel	4560	4602	6400
Photo Supplies	845	688	1100
Radio Repair and Supplies	...	...	1500
Other Supplies	1315	1680	1300
Motor Vehicle Insurance	1568	1732	1780
Building and Content Insurance	149	149	200
Office Equipment	528	155	1100
Motor Vehicle Equipment	2853	16818	12400
Other Equipment	1300	2944	1800
Total	$453953	$498257	$540560

Step 3: You may decide to show last year's budget and the proposed budget for the next year so that increases

and decreases are apparent. Likewise, this process will identify new items that were not in last year's budget or that can be dropped in next year's budget.

Values

The Line Item Budget has both positive and problem areas:

Advantages	Disadvantages
1. Allows for flexibility in preparing and administering the budget.	1. May forget to place an item on the budget and hence no dollars will be allocated for that item.
2. Does not require the budgeter to conform to a single system.	2. May cause confusion if comparing budgets to other departments.
3. Allows adding or deleting items without difficulty.	3. Slight loss of accountability and reporting accuracy.

CASE STUDY NO. 3
TOPIC: LINE ITEM BUDGET

1. You are the director of a summer camp and you must prepare the budget. The camp has been provided to your community for a number of years, therefore a number of camp equipment items are already available. Prepare a Line Item Budget using the form and information provided below:

Budget Information Available:

a. length of camp - 14 days/13 nights
b. number of campers - 250, age range 10-18 years
c. number of camp counselors - 25
d. number of administrative staff - 3
e. number of support staff (maintenance, cook)- 3
f. equipment currently available:
   - all kitchen, cooking and eating equipment
   - all tennis, archery, rifle range equipment
   - all housing units (three sided cabins)
   - all waterfront equipment (canoes, etc.)
g. equipment not currently available:
   - any other recreational equipment
   - any first aid equipment

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LINE ITEM BUDGET	
Item	Cost
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
TOTAL	

Section 4

The Fee Budget

The Fee Budget is considered to be the most effective method of determining and identifying the actual expenditure requirements of a program. In order for this budget to be effective, the parks and recreation administrator must ascertain a variety of information that is detailed below.

Description

The Fee Budget consists of determining the allocation or cost of four items:

1. Direct Labor: The direct labor is the time that the recreation leader or program director actually spends involved in leading the activity. This also includes preparation for the activity and appropriate evaluation, record keeping and follow up of the activity.

2. Overhead: The overhead consists of the costs for such things as janitorial, household and secretarial services; telephone and utilities, and such things as program insurance. Basically, the overhead cost is everything required for the program excluding the leader's salary, the program supplies and equipment.

3. Equipment Costs: These costs represent the cost of equipment for the program, estimates of repairs and normal maintenance of the equipment. The equipment are those items that are non-expendable, that is they continue to exist after use (gymnastic apparatus as opposed to paper that is expendable).

4. Materials Costs: These costs are those items used in the program that are expendable, that is they can not be used again. For example, glue in an arts and crafts program or tape in a gymnastics program.

Purpose

The Fee Budget has several purposes, some of which are identified below:

1. The Fee Budget attempts to identify the exact cost of a particular program rather than the entire parks and recreation budget.

2. The Fee Budget is flexible to the program and can be altered if necessary.

Steps

The Fee Budget is rather simple to establish, however the process can become more complex as will be apparent.

Step 1: Determine the direct labor cost of the program. This should be the cost of the salary paid to the recreation leader or leaders that prepare, conduct and follow up on the program. For example, if the recreation leader is paid $8.00 per hour and it requires six hours to prepare the program, fourteen hours to conduct the program and another four hours to perform necessary record keeping, evaluatory and follow up work, then the direct labor for that program is 24 hours X $8.00 per hour = $192.00.

Step 2: Determine the overhead costs of the program. This should be the cost of using the recreation facility. If the activity occurs at a park and overhead is not a feature of the program then no overhead costs are charged. However, if the program is conducted within a facility the overhead cost should be determined using the cost per hour charge that your facility utilizes. For example, if your agency charges $2.00 per hour for the racquetball courts and your program will be using the 8 racquetball courts for 14 hours then the overhead cost is: $2.00 X 8 courts = $16.00 X 14 hours = $224.00.

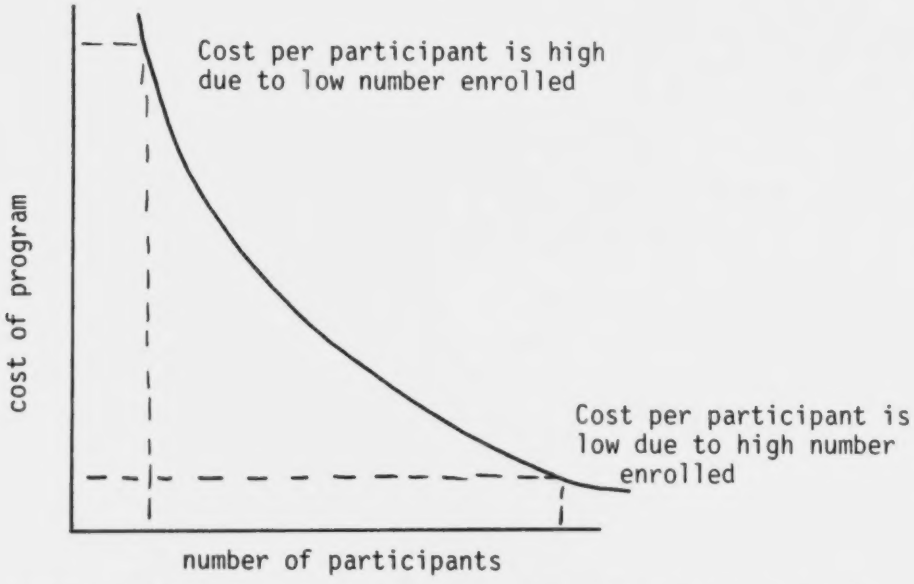
Step 3: Determine Equipment Costs: These costs are for those equipment items that are necessary for the program that the agency supplies. For example, 2 basketballs will be purchased specifically for the program at a cost of $24.00 per ball. The equipment costs would be 2 X 24 = $48.00.

Step 4: Determine Materials Cost: These items are expendable in nature such as paper, tape, glue, etc. For example, your program has purchased $36.00 worth of arts and crafts supplies for the program. The material costs would be the $36.00

Step 5: Add the direct labor, equipment cost, overhead and materials cost together to determine the total cost of the program. The parks and recreation administrator now has a clear picture of the cost of that particular program.

Step 6: (Optional) Some administrators choose to divide the number of participants of the program into the program cost so that a cost per participant figure may emerge. Additionally, some administrators have found it helpful to establish a fee per participant curve so that the administrator can determine how

many participants are necessary. Below the program reaches the break even stage.


Cost per participant is high due to low number enrolled
cost of program
Cost per participant is low due to high number enrolled
number of participants

For some agencies the Fee Budget is prepared using a more complicated formula. This formula is very exact and allows an agency to be very specific in detailed program costs.

Step 1: Determine the Direct Labor Costs: The direct labor is computed by multiplying the average productive hourly rate by the time the recreation leader is involved in the activity. The average productive hourly rate equals the average total monthly salary divided by the monthly productive hours. The monthly productive hours equal 75% of the total paid hours of the recreation leader. For example, if the recreation worker's salary is $800 a month and the total productive hours are 132 (75% of 176 hours), the average productive hourly rate is $6.06. This rate accounts for vacation time, sick time and coffee breaks, etc.

Step 2: Determine the Overhead Costs: The overhead consists of all other costs such as janitorial, household supplies, unassigned administrative salaries, telephone, secretarial salaries, assistants' salaries, insurance costs and all other expenses of operating the recreation facility with the exception of equipment and supplies. The overhead for any particular activity or program is determined by computing all of the overhead costs of the entire department. Then, multiplying that figure by the percentage that the program or activity occupies in floor space of the total department. When this is done, that figure is divided by the number of weeks that the program

runs and that figure is further divided by the number of hours that the program operates per week. Then divide that figure by the number of participants per hour and the administrator has the hourly overhead cost per participant. To determine the true overhead, the hourly overhead cost per participant is multiplied by the time that the participant spends in the program. For example, the total overhead costs of the recreation department is $100,000 and the particular program we are concerned with occupies 25% of the floor space of that program so the overhead cost of that program will be $25,000. If the program runs for 50 weeks a year the weekly overhead cost will be $500. Also, if the program operates 50 hours per week the hourly overhead cost will be $10.00 To determine the hourly overhead cost per particpant the administrator divides the $100 by the number of participants per hour in this case, 10, so the rate is $1.00 per participant per hour. The last step is to multiply the amount of time that the participant spends in the program to determine that participant's actual cost.

Step 3: Determine the Equipment Costs: Equipment costs include all the costs of purchase repair and maintenance of equipment. To determine the equipment cost, the administrator adds together the total equipment costs of the program and then divides that figure by the number of times that the equipment is in use. If the equipment costs $3000.00 and is used 3000 times during the course of the program, then the equipment cost is $1.00 per usage period.

Step 4: Determine the Material Costs: The materials used in the program are computed in the same manner. If the total cost of the materials used equals $2000.00 and is used 2000 times, then the cost is $1.00 per usage.

Step 5: The administrator then adds those four components together. Also, the administrator may choose to develop a fee per participant or a fee curve as indicated earlier.

Values

The Fee Budget provides for the administrator a number of advantages and concerns.

Advantages	Disadvantages
1. Allows the determination of the very exact cost of a participant program. 2. Program costs can be reduced if the program costs too much (increase number of participants or reduce materials provided). 3. Provides a cost per participant for each program which allows for more accurate budgeting.	1. Is artificial budget because not all items may be included in budget (equipment purchased years earlier that is used in the program). 2. Requires the administrator to be aware of all needs of the program before the program starts. 3. Is usable for only certain types of programs (clinics, tournaments, etc.).

CASE STUDY NO. 4
TOPIC: FEE BUDGET

1. You want to compare the cost and associated fee for two programs that your community parks and recreation agency is contemplating offering. Using the form and information below prepare two fee budgets.

A. Program One: Beginning Gymnastics Clinic

- primary instructor $8.00 per hour
- assistant instructors $4.00 per hour (one assistant instructor needed for every six participants)
- advertising cost $.17 per participant
- gymnastic equipment - no cost, already available
- utility cost per hour for program $2.17
- disposable materials (tape, etc.) total cost $100.00
- length of program - 8 weeks, 2 nights per week, 2 hours each night
- maximum participants that program can maintain 85

B. Program 2: Open Basketball Playing Area

- supervisor $3.50 per hour (only one supervisor necessary)
- no advertising cost - attendance by drop in basis
- no equipment cost - participants bring own balls
- utility cost per hour $2.10
- length of program - 7-10 p.m. from November 17 to March 6 (6 nights per week minus 7 days closure for holidays during time period)
- maximum program attendance - 150

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FEE FACTORS	PROGRAM ONE	PROGRAM TWO
Direct Labor		
Overhead Costs		
Equipment Costs		
Materials Costs		
TOTAL		

Fee Schedule for each Program

Section 5

Program Budget

The Object Classification Budget and the Line Item Budget are strong from a standardization and organizational viewpoint. The major drawback of these two budget formats is that they really don't show or explain what the financed program looks like, its value, purpose, and meaningfulness to the participants. It is very difficult to look at a long list of categories consisting of numbers and be able to determine the intent of the program. For this reason, the Program Budget format was developed.

Description

The Program Budget identifies large units of work to be performed, isolates that work and presents and describes that work in a clear narrative fashion so that the budgeting authority who makes allocation decisions will have a fuller understanding of the dimensions of the program. The Program Budget is distinct from many other budgets by the following characteristics:

1. The Program Budget describes the agency's goals and objectives in very specific terms.

2. The Program Budget identifies what programs will reach the agency's goals and also provides a description of alternatives to the program.

3. The Program Budget identifes unique characteristics about the programs that will meet the agency's objectives and goals.

4. The Program Budget details possible outcomes or values that flow from the suggested program.

5. The Program Budget develops the costs for providing the suggested program.

Purposes

In parks and recreation the Program Budget is of particular interest and usefulness because of the program orientation of our agencies. The Program Budget serves the following purposes:

1. It provides a method of describing the values of the program and not just the costs.

2. It provides an opportunity to highlight very unique

features of the program that might otherwise be hidden in a strictly cost-oriented budget.

3. It provides flexibility and creativity to the budgeting process.

Steps

To perform the Program Budget the following steps are suggested:

1. Identify the goals of your parks and recreation agency and describe them in effective and meaningful narrative.

2. Identify the program(s) that your agency is offering that meet the goals of your agency.

3. Provide a detailed narrative of those features of the program that are deemed to be important or critical.

4. Provide a cost for the program so that the budgeting authority may be able to understand the cost per value aspects.

To help understand this process an abbreviated example is provided.

Program Budget for Youth Baseball

Goals of Agency

The parks and recreation agency is established to meet the following community goals:

1. Provide leisure opportunities for all community citizens.

2. Provide youth an opportuntiy at sports training and competition.

3. etc.

Goals of Program

The Youth Baseball Program sponsored by the Parks and Recreation Agency is established to meet the following goals:

1. Provide a systematic method of training youth in the fundamentals of baseball.

2. Provide youth a fair and enjoyable competitive

baseball sports opportunity.

3. etc.

Unique Features of Program

1. A paragraph describing each of the following items:

   a. past development and history
   b. number of participants
   c. nature of staffing
   d. number of games played
   e. extent of community support
   f. recognition system

2. A paragraph detailing the cost of providing this program*

* In order to determine the cost of the program the program director would need to use one of the budgets described earlier in this manual (Object Classification, Line Item or Fee Budget).

Values

The Program Budget is distinguished by the following factors:

Advantages	Disadvantages
1. A narrative budget description rather than cost only description.	1. Potential of "over-selling" the program.
2. Highlights values and uniqueness of program.	2. Does not always provide enough budget-cost detail information.
3. Provides creativity and flexibility.	3. Requires the use of another budget system to determine costs.

CASE STUDY NO. 5
TOPIC: PROGRAM BUDGET

Prepare a Program Budget for the Community Little League Baseball Program. Use the form provided below and address the following issues (be creative and imaginative): history of program, number of participants, nature of staffing, community support, recognition system, number of events (games), cost per participant ratio, summary.

Program Title: _____

Starting Date: _____ Ending Date _____

Total Program Cost: _____

Budget 19 ___ $ _____

19 ___ $ _____

Program Narrative

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Section 6

Performance Budget

The same kin relationship that exists between the Object Classification Budget and the Line Item Budget also exists between the Program Budget and the Performance Budget. The distinction between the two, if one exists, is very subtle and slight. The goal of the Program Budget is to identify the dimensions of the program, its purpose and objectives as well as cost. The goal of the Performance Budget is also to reach beyond the dollars alone and to the end result of the operation -- the services to be performed. The Performance Budget permits the administration to explain to the public and sanctioning authorities what services are to be rendered during the budget year rather than just how much is to be spent.

Description

The Performance Budget has four primary characteristics which are described below:

1. The Performance Budget breaks the agency or department down into measurable categories known as functions, sub-functions and activities. For example:

    1. Parks, Parkways and Cemeteries (Function)

        a. Parkway, Tree Maintenance (Sub-Function)

            1. Planting (activity)
            2. Trimming and Removal (activity)
            3. Inspection and Spraying (activity)

    2. Parks and Playgrounds (Function)

        a. Paths and Driver Maintenance (Sub-Function)

            1. Scarifing, Grading, Shaping (activity)
            2. Rolling (activity)
            3. Patching (activity)

2. The Performance Budget develops appropriate work units by which the work within those activities may be measured. For example:

	Activity	Work Unit
1.	Planting	each
2.	Trimming and Removal	each
3.	Inspection and Spraying	each

1.	Scarifing, Grading, Shaping	sq. yd.
2.	Rolling	sq. yd.
3.	Patching	each

3. The Performance Budget then determines how much time each work unit requires under normal circumstances based upon the number of staff members, equipment, distance to work sites, etc.

4. The Performance Budget then is able to apply the amount of time to the number of work units to determine the cost of providing that function of work or the "performance."

Purposes

The Performance Budget provides the budgeter a number of excellent benefits.

1. The budget is based on very specific time and motion equations that allow the budgeter to develop a very accurate budget.

2. This budget allows for maximum control of dollars and hence control over the work performed.

3. This budget allows those who analyze the budget to see what "performance" is actually being received for the money spent.

Steps

To develop a Performance Budget the administrator should follow the steps listed below. It should be noted that the development of a Performance Budget initially is very time consuming and difficult. However, once the budget is in place the budgeting process is very easy.

1. Break the parks and recreation agency into its various functions, sub-functions and activities. Each agency will differ, but generally the functions may include:

1. Administration and Business Management
2. Construction, Planning and Development
3. Maintenance
4. Operation of Recreation Centers
5. Operation of Playgrounds and Parks
6. Operation of Pools and Beaches
7. Operation of Golf Courses, etc.

The various sub-functions and activities likewise would be specific to the agency, however an example would be helpful:

Maintenance (Function)

a. Storm Sewer Lines (Sub-Function)

1.	Excavating (activity)	cu. yd.
2.	Filling	cu. yd.
3.	Removing Pipe	1 ft.
4.	Laying Pipe	1 ft.
5.	Sheeting and Bracing	sq. ft.
6.	Cleaning	1 ft.

b. Sanitary Sewer Lines

1.	Excavating	cu. yd.
2.	Filling	cu. yd.
3.	Removing Pipe	1 ft.
4.	Laying Pipe	1 ft.
5.	Sheeting and Bracing	sq. ft.
6.	Cleaning	1 ft.

The various activities must have a work unit measurement developed that is accurate in the work unit's ability to measure the performance of that activity (sq. ft., linear ft., etc.)

2. The budget officer then determines a cost per work unit measurement which is accurate to that specific agency. Again, the cost of a work unit will depend on a number of factors such as skill of workers, quality of equipment, type of equipment, available tools, distance to be traveled, etc. For example, a parks department might determine that for each linear foot of sewer line work performed in its parks the average cost is $14.85. This figure is based again on a number of peculiar factors that are specific to the agency.

3. The budget officer then determines how many work units of the different functions must occur during the budget year in order for the agency to fulfill its community obligations. Once the number of work units is determined the cost per work unit is multiplied to the number of work units and those figures are totaled. The final figure is the budget needed for the performance of that agency.

Cubic Yard	$13.15
Linear Foot	$14.85
Square Foot	$ 6.06

Cubic yard work needed = 1,000 X $13.15 = $13,150.00
Linear foot work needed = 3,000 X $14.85 = $44,550.00
Square foot work needed = 5,000 X $ 6.06 = $30.300.00

Performance Budget Total $88.000.00

Values

The Performance Budget is very unique and is based on work standards. The following details some of this budget's values and problems.

Advantages	Disadvantages
1. Very standardized	1. No creativity
2. Allows for control	2. No flexibility
3. Very accurate	3. Does not provide for adjustments if necessary
4. Very easy to follow	4. Very difficult to set up initially
5. Effective when computerized and easy to update changes (inflation, etc.)	5. Not feasible for non-work unit type work (creativity, thinking, etc.)

CASE STUDY NO. 6
TOPIC: PERFORMANCE BUDGET

1. Contact a local governmental agency of your choice (transportation, maintenance, engineering, etc.) and obtain a copy of that agency's performance cost schedule (cost per work unit scale).

2. Determine from the budget officer the answers to the following questions:

A. How accurate and reliable are your cost per work unit scales? Comment.

B. How often must the cost per work unit scales be changed to reflect inflation or other cost variables? Comment.

C. What problems emerge that alter the accuracy of the cost per work unit scales? (weather, distance, etc.) Comment.

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Section 7

Planning Programming Budgeting System (PPBS)

The PPBS is a concept of budgeting which has generated much excitement since its development by the Rand Corporation and its subsequent use by the Department of Defense. This system identifies the relationship that exists between the cost of a program and the end result of the program. The focus is upon the end product of the program rather than cost of the program.

Description

The Planning Programming Budgeting System utilizes three elements which gives this budget system structure. These three elements are:

1. Planning: The process of establishing agency and program objectives.

2. Programming: The process of combining activities and events to produce results and reach the agency or program objectives.

3. Budgeting: The process of allocating the resources necessary to initiate the programming elements.

Purposes

The purposes of the PPBS are:

1. Providing a rational basis for the efficient allocation of scarce resources among competing programs.

2. Providing a focus on the outputs of the program (goals reached) rather than on the inputs required (monies).

3. Providing a clear narrative picture of the direction that allocated monies will go rather than a simple accounting system of numbers only budget.

Steps

To develop the PPBS the following steps are necessary:

Step 1: Determine the goals of the parks and recreation system or agency. The various goals are determined many times by the recreation agency itself. Regardless of who establishes the goals of the recreation agency, they must be articulated so that

the purpose of the financial requests will be geared toward a specific outcome.

Step 2: Determine the goals and objectives of parks and recreation in general. Such factors as physical fitness, instructional opportunities, community social interaction and others are highlighted. These factors must be directly related to the agency's goals and objectives.

Step 3: Determine and describe the parks and recreation programs that will be offered that are established in an effort to reach the goals identified. Each program such as arts and crafts, aquatics, summer athletics, winter sports, etc. are described relative to such factors as range of activities, time units, comprehensiveness, and other highlighting elements.

Step 4: Describe the constraints of those elements which will inhibit the successful operation of the program. Such factors as limited facilities, equipment, supplies, time, staff and others might be indicative of constraints.

Step 5: At this point the administrator describes both subjective and objective ways in which the agency will measure the attainment of the program reaching the goals and objectives. These may be time measures, physical fitness tests, participation rates and percentages, attitudenial evaluations, community advisory council measures, or some other style which would more specifically measure the program's success.

Step 6: The alternatives available in the community which could meet the specific objectives that have been established are identified and analyzed. If other programs exist which might fulfill the community's needs, these should be described including their costs, time availability, equipment and other pertinent factors. The purpose of this category is to further the planning needs of the agency. If your city recreation program does not have a swimming pool but the Y.M.C.A. does, and the cost to community residents is low, then perhaps a decision would be made for the city not to develop a swimming program.

Step 7: Future projections, trends and costs which can be projected over a multi-year basis are presented. Those elements of the program that may require future planning should be described in detail.

Step 8: A cost is then placed upon the provision of each program suggested. The theory is that if all programs meet community needs and the contracts and alterations are not overwhelming, then the programs can justify the allocation of monies.

Values

The PPBS has several values and hinderances which are described below:

Advantages	Disadvantages
1. Bases money requests on goals of program.	1. If programs do not meet community needs the program is eliminated.
2. All programs must exist to meet community needs.	2. If program is not of value to the community as determined by goals it is eliminated.
3. Rational and logical comparison of programs available.	3. Some programs are not comparison oriented (police department).
4. Presents budget beyond dollars but on end results.	4. Narrative may confuse some budget authorities.

CASE STUDY NO. 7
TOPIC: PPBS

1. Select a parks and recreation program at a local agency and prepare a Program Planning Budgeting System for that program. Choose a program which is smaller in nature (for example, the tennis program rather than the adult tournament division).

2. Remember that a number of key facts must be obtained in order to complete this budget. Use the form below to assist you.

PROGRAM _____ COST _____
1. GOALS:
2. OBJECTIVES:
3. DESCRIPTION:
4. CONSTRAINTS:
5. EVALUATION:
6. ALTERNATIVES:
7. LONG RANGE PLANS:

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Section 8

Zero-Based Budgeting

The Zero-Based Budgeting method is a relatively new approach to planning a budget. It varies from the traditional methods in one major and fundamental way. The traditional methods of budgeting provide little opportunity to systematically analyze the priorities and results of the funded program. The Zero-Based Budget method aims to overcome this by subjecting all proposed activities and expenditures to an intensive scrutiny which is usually required of new programs. In essence, as the new fical year arrives, the agency or department has no money and the administrator must justify all expenditures for the new year. The purpose of this budget style is to bring rapidly increasing budgets under control. The administrator who is required to utilize this budget method will need to review the agency's programs relative to their desirability and need for the service, the beneficiaries of the service, the reasonableness of the proposed costs, potential future implications and the availability of funds.

Description

The Zero-Based Budgeting System is a sophisticated management tool which provides a systematic method of reviewing and evaluating all operations of the organization, current or proposed; allows for budget reductions and expansions in a planned, rational manner, and encourages the reallocation of resources from low to high priority. This system consists of following four steps which are described in detail in this section.

1. Establishing Budget Units
2. Dividing Budget Units into Service Levels
3. Analyzing Service Levels
4. Priority Ranking of all Service Levels

Purposes

The Zero-Based Budgeting System has several purposes which are identified below:

1. Requires all programs to justify their existence before monies are allocated.

2. Prevents a continuous increase in dollars to programs even if the program has fulfilled its purpose.

3. Provides for a systematic method of reducing budgets

without immediately eliminating a program.

4. Brings rapidly increasing budgets under control through continuous program review.

Steps

To develop the Zero-Based Budgeting System the following steps should be followed:

Step 1: Establishing Budget Units: A budget unit consists of a grouping of existing or proposed activities which go together to establish a program. Generally, the budget unit corresponds with the established divisions within the department. A set of budget units in the recreation agency would consist of such areas as the arts and crafts unit, the aquatics unit, the outdoor sports unit, the indoor sports unit and the like. These units together equal the recreation program or department.

Step 2: Dividing Budget Units into Service Levels: Dividing the budget into service levels the administrator no longer assumes that the individual budget unit will be funded but that one or more of several alternative levels of service will be funded. The ZBB method suggests that the first level of service be equal to 40-60% of the current expenditures level. Generally one level of service below the current, the current level of expenditure and one level of service on an improved and expanded level of expenditure. To illustrate the service levels, assume that the following recreation department maintains sixteen budget units (aquatics, arts and crafts, etc.) and that each unit provides services for 72 hours per week.

For each unit the following service level chart would be created:

Level 1 - All programs operate 36 hours per week (50% of current)

Level 2 - All programs operate 72 hours per week (current level)

Level 3 - All programs operate 84 hours per week (expanded level)

The administrator then applies a cost to each service level. Emerging is the idea that if the recreation budget was cut, a particular program would not need to be eliminated but just reduced to

a lower level of service.

Step 3: Analyzing the Service Levels: To analyze the service levels the administrator evaluates in careful detail the need to provide a given level of a particular service. For example, it might be rather unreasonable to provide an arts and crafts program for 72 hours per week based on the past participation roles. However, it might be particularly advantageous to provide the aquatics program for that duration. The administrator needs to analyze the manpower and other costs for each service level and make appropriate adjustments.

Step 4: Priority ranking of all service levels is the last step and most difficult. The administrator must list in rank order of priority all of the budget units and within those budget units the service levels. This requires the administrator to decide of the sixteen budget units or programs, which would be the most essential to provide, down to which program would be the least essential to provide.

If the administrator is handed a fiscal allocation which falls short of funding for all sixteen programs at their current expenditure, the decision is made if the lower prioritized programs will go totally unfunded or if they will be funded but at the lower service level. Additionally, if the entire governmental agency is on a Zero-Based Budget method and the recreation department is the last of the rank order of priority of all the city's programs, the decision can be made as to what level of service any of the programs will operate at.

Values

The Zero-Based Budgeting System has several advantages and disadvantages, some of which are identified below:

Advantages	Disadvantages
1. Excellent method of program justification.	1. Generates increased information, work and paperflow.
2. All programs start each year on equal financial footing.	2. The initial conversion to the ZBB requires time, money, effort and personnel.
3. A control method of keeping the cost of services	3. Internal department

down. 4. Provides a number of options rather than complete elimination of a program. 5. When reduction is necessary, the ZBB is an excellent method to accomplish this task.	"fighting" may result due to the increased competition. 4. Because evaluation of program is still crude, discrepencies may exist where they should not. 5. Morale and tension in personnel may result due to the ZBB System.

CASE STUDY NO. 8
TOPIC: ZERO-BASED BUDGET

Prepare a Zero-Based Budget for the following adult mens program of the parks and recreation program. Use the form below and, if helpful, contact an agency that provides such a program to obtain specific detailed information. (Be creative and imaginative.)

DEPARTMENT	DIVISION	BUDGET UNIT	YEAR
Parks/Recreation	Recreation	Adult Mens Program	1984

SERVICE LEVEL _____	
SERVICES PROVIDED AT LEVEL	JUSTIFICATION OF NEED FOR SERVICE
SERVICE LEVEL _____	
SERVICES PROVIDED AT LEVEL	JUSTIFICATION OF NEED FOR SERVICE
SERVICE LEVEL _____	
SERVICES PROVIDED AT LEVEL	JUSTIFICATION OF NEED FOR SERVICE

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Section 9

Activity Budget

The Activity Budget is an alternative budgeting system which presents information fo the managers and funding authorities on a detailed basis of performed activities. Many of the budgeting formats describe what various programs will cost while the Activity Budget details what each specific activity of that program will cost. Most funding authorities prefer to know, for example, how much the agency spends on trash collection at each park area, or how much money is spent on travel than they care to know about a vague term which is used to describe a grouping of areas. The Activity Budget is very similar to the Performance Budget in that they both are concerned with how much it will cost to perform a specific activity. The difference however, is that the Activity Budget does not attempt to tie the expenditure for activities to work load measures.

Description

The administrator's task is to identify all of the specific activites which are performed at the recreation agency and list them in some order of relationship. Then a fiscal allocation is placed to the side of that activity which represents the required cost of performing that activity. This allows both the administrator as well as the funding authority to have a detailed description of cost relative to activities performed. Perhaps the cost of a specific activity will be considered too great when compared to the cost of another activity when described in this fashion.

Activity	Previous Fiscal Year	Current Fiscal Year	Future Fiscal Year
1. Trash Collection	32,386	35,082	35,949
2. Lawn Mowing	32,727	39,922	42,596
3. Tree Grooming	5,929	9,561	7,295
4. etc.			

Purpose

The purpose of the Activity Budget is:

1. To describe the activity which costs money rather than a vague accounting term.

2. To compare costs of various activities so that a realistic assessment can be made of the department.

3. Provides a more clear picture of what the agency or department does rather than listing costs for the department.

Steps

To develop an Activity Budget, the following steps are suggested:

1. Determine all activities that occur within the parks and recreation department. For example: supervision, instruction, programming, maintenance, etc.

2. Group the activites into some sort of logical grouping. For example: administrative, grounds, leader based, facility based, etc.

3. Determine the cost for providing those activities. The cost must be complete for the total of the Activity Budget will represent the cost of running the agency. For example, when providing the cost for supervision, the administrator needs to include salaries, fringe benefits and training of staff. When showing the activity of lighting facilities, the cost would represent all factors that go into the cost of lighting the facility (utility cost, replacement parts, etc.).

4. List all activities in their appropriate grouping with their associated costs.

Values

The Activity Budget provides the following:

Advantages	Disadvantages
1. Makes clear what activities are provided. 2. Shows viewers of the budget where the money is allocated. 3. Compares the cost of one activity to another.	1. Is cumbersome and at times difficult to set up. 2. Not all activites make sense being listed as activites (retirement pay). 3. Does not provide the budget officer the flexibility that is sometimes needed with budgets.

CASE STUDY NO. 9
TOPIC: ACTIVITY BUDGET

Visit a local parks and recreation agency and determine the specific activities which are performed in that agency and list them in some order of relationship. For example, Instruction: basketball, racquetball, volleyball, etc. Supervision: open swimming, teen night, basketball area, etc.

PARKS AND RECREATION AGENCY _____

Activities Performed	Cost Per Activity (Optional)
1.	$
2.	
3.	
4.	
5.	
6.	
7.	
8.	
8.	
10.	
11.	
12.	
13.	
14.	
15.	

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Section 10

Function Budget

The Function Budget is a method of describing the cost of a parks and recreation department by determining the cost of the various functions that that department performs. The funding authority is able to see how much it costs to operate the swimming pool, the golf course, the athletic program, or the community center.

Description

The function within the parks and recreation department generally falls into three categories:

1. Administration
2. Facilities/Grounds
3. Programs/Services

Each aspect of the parks and recreation department would be sub-functions of the three functions identified. For example:

2. Facilities/Grounds
   a. golf course
   b. parks
   c. swimming pool
   d. recreation center
   e. etc.

3. Programs/Services
   a. clinics
      1. softball
      2. racquetball
      3. basketball
   b. tournaments
      1. volleyball
      2. etc.
   c. etc.

Purposes

The purposes of the Function Budget are:

1. To compare the costs of the different functions of the parks and recreation department (percent of monies spent on administration versus clinics, etc.).

2. To isolate budget growth patterns within the different functions performed by the department.

3. To describe the types of functions fulfilled by the department.

Steps

To develop the Function Budget the following steps are suggested:

Step 1: Determine the major categories or functions that the parks and recreation agency fulfills. Again, the general categories are Administration, Facilities/Grounds and Programs and Services, however, your agency may require additional or a different breakdown.

Step 2: Determine the sub-functions of your major functions. For example, the department may provide the following services: arts and crafts, drama, and music programs or the agency might be more program oriented with clinics, tournaments, special events, open recreation or a combination of both.

Step 3: Prepare or outline an Object Classification Budget including the normal features of Services-Personnel, Services-Contractual, etc.

Step 4: Run the Object Classification Budget down the left side of the budget sheet and the major and sub-functions across the top of the budget sheet.

Step 5: Fill in the object classification costs for each of the various sub-functions and total at the side and at the bottom of each category. In the bottom right corner will appear the total department budget.

		Facilities				Special Services			
	Administration	Recreation Centers	Swimming Pools	Golf Courses	Playgrounds	Arts and Crafts	Drama	Athletics	Total
A. Services—Personal									
1. Salaries									
2. Overtime									
3. Temporary salaries									
B. Services—Contractual									
1.									
2.									
3.									
C. Commodities									
1.									
2.									
3.									
D. Current charges									
E. Current obligations									
Total									

Values

The Function Budget provides certain advantages and disadvantages which are identified below:

Advantages	Disadvantages
1. Provides for comparison of function costs. 2. Provides for comparison of each object cost within each department. 3. Helps budgeters understand where the monies are allocated.	1. Not all departments can be placed into function categories. 2. Comparison figures are not always representative (cost of maintaining a golf course is not equal to the cost of maintaining a swimming pool). 3. The object classification concept does not provide for budgeting freedom.

CASE STUDY NO. 10
TOPIC: FUNCTION BUDGET

Contact a local parks and recreation agency and determine the personnel services costs for each of the different program functions of that agency. Use the form below to assist you.

PERSONNEL SERVICES	FUNCTION					
Salaries, regular						
Salaries, temporary						
Wages, regular						
Wages, temporary						
Total						

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Section 11

Unit Budget

The Unit Budget or Budget by Classification of Organizational Unit is a method of budget design which has particular usefulness in extremely large organizational settings. The Unit Budget classifies the expenditures according to the organizational unit (Facilities Division or Program Division, etc.) of the department. In this way the cost of the differing units can be compared rather than identifying the individual and peculiar costs that make up that organizational unit.

Description

The organizational units must be part of a large organization or the breakdown units will not yield the distinctions necessary. The Unit Budget does not have a standard classification of categories, but usually such units are called bureau, division, section, department, or agency. Each unit usually would have a directing head whose responsibilities are geared to the overall function of that unit. An organizational unit breakdown may look like the following:

Recreation Department

- Administrative Division
- Program Division
  - Playgrounds
  - Community Centers
  - Athletics
  - Music Center
  - Special Events
- Facilities Division
  - Auditorium
  - Municipal Camp
  - Stadium
  - Museum
  - Beaches
  - Pools
  - Golf Courses
- Maintenance Division
  - Engineering
  - Construction
  - Landscaping
  - Greenhouse

Purposes

The purposes of the Unit Budget are:

1. To describe the fiscal allocations by units rather than by per item costs.

2. To provide comparison data from one unit to the next (which unit costs the most to run or the least, etc.).

3. To facilitate the budgeting process by having the division or unit head prepare the budget for their unit and the parks and recreation director groups all budgets together for the total department budget.

4. To display budget information to community residents in a clear and understandable fashion.

Steps

To prepare the Unit Budget follow the steps identified below:

Step 1: Break the department into logical units as indicated by the earlier example (Administrative Division, Program Division, etc.).

Step 2: Ask the department head to prepare the budget for that department or division by using whatever budget method seems appropriate (Object Classification, Line Item, etc.). Uniformity must be present in all division budgets or else too much variety in costs will occur.

Step 3: Combine all budgets together to determine the total budget.

Recreation Department	$1,642,119.00
Administrative Division	196,295.00
Program Division	64,754.00
Playgrounds	16,495.00
Community Centers	19,992.00
Athletics	12,124.00
Music Center	9,477.00
Special Events	7,666.00
Facilities Division	1,157,516.00
Auditorium	57,111.00
Municipal Camp	33,127.00
Stadium	114,146.00
Museum	92,191.00

Beaches	492,169.00
Pools	72,772.00
Golf Courses	296,000.00
Maintenance Division	223,554.00
Engineering	34,444.00
Construction	112,641.00
Maintenance	41,100.00
Landscaping	27,173.00
Greenhouse	8,196.00

Values

The Unit Budget provides certain positive and negative features:

Advantages	Disadvantages
1. Provides for a clear description to the public of the costs of the program.	1. Requires department head to prepare the budget using some other budget system.
2. Is a simple budget to present and understand.	2. Requires uniformity in department head budgeting or control is lost.
3. Allows others to participate in the budget process.	3. Does not show the per item cost of running each unit or division.

CASE STUDY NO. 11
TOPIC: UNIT BUDGET

Obtain a copy of a typical parks and recreation budget and prepare that budget into a display unit budget using the form below.

UNIT BUDGET

Department _____ $ _____

Division _____ $ _____

Program _____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

Division _____ $ _____

Program _____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

Division _____ $ _____

Program _____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

_____ $ _____

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Section 12

Fund Budget

The Fund Budget is utilized by a limited number of agencies and only those agencies which receive their fiscal allocations from several different funds. Very small recreation departments usually receive the requested monies from the mayor after submitting whatever budget style is required. However, many times these smaller communities and certainly larger communities provide money for the recreation agency from several different sources or funds. When the department does receive funding from several sources a Fund Budget is usually required.

Description

The Fund Budget consists of identifying where the various monies that fund the parks and recreation agency originate and then to list those funds with their respective dollar amounts. The majority of parks and recreation departments receive their monies from the following funds:

1. The General Fund of the City or County
2. Federal Matching Grants
3. Capital Expenditure Bonds
4. Special Millage
5. Fee and Charges
6. Gifts
7. Concessions

Purposes

The Fund Budget provides several purposes which are identified below:

1. Identifies where the agency or department monies come from.

2. Identifies what percentage each fund makes up of the total budget.

3. Provides clear description to citizens as to where funds are generated.

4. Allows for future projection of monies by analyzing the trend of the fund categories.

Steps

To develop the Fund Budget, the following steps should be

followed:

1. Identify all funds in which money is utilized by the parks and recreation department.

2. Identify the amount of money that each fund provides.

3. Determine the percent that each fund represents of the total budget.

FUND	AMOUNT	PERCENT
1. General Fund Appropriations	$247,163	20.24
2. Special Millage Tax Levies	92,468	7.57
3. Special Tax	1,629	.13
4. Fees and Charges	12,477	1.02
5. Grants-in-Aid	100,102	8.19
6. Gifts	10,100	.82
7. Concessions	96,000	7.86
8. Money Raising Events	696	.05
9. Bonds	542,000	44.39
10. Special Assessments	1,969	.16
11. Rental Agreements	116,229	9.52
TOTAL	$1,220,833	100%

Values

The Fund Budget provides for many helps to the budget as well as problems.

Advantages	Disadvantages
1. Excellent budget to describe where funds come from.	1. Is not a working budget but really a description budget.
2. Provides clear descriptions to community residents.	2. Another budget must be developed in order to determine expenditures.
3. Provides for projection data.	3. Does not provide for creativity or flexibility.
4. Determines percent representation of each fund.	4. Funds may dramatically alter from one year to the next - hence may be inconsistent.
5. Allows for keeping percent of fees and charges (or any other category) consistent percentages as other fund categories change.	

CASE STUDY NO. 12
TOPIC: FUND BUDGET

Contact a community agency (parks and recreation, welfare services, transportation, health care, etc.) and obtain from that agency what funds provide monies for that agency and the percent that each fund represents of the total budget. Use the form below for assistance.

FUND BUDGET: AGENCY _____

FUNDS	AMOUNT	PERCENT
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
TOTAL	_____	100%

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Section 13

Character Budget

The Character Budget, though used to a lesser degree than some of the other traditional budget systems, is still prevalent in municipal recreation. This system attempts to organize and present the budget on a time element basis. That is, it classifies expenditures relative to the past, present and future concerns of the agency.

Description

The Character Budget breaks the costs of the parks and recreation department into four categories, each representing a different obligation time element.

1. Current Expenses	This year's obligation
2. Fixed Charges	Payments due for past years' obligations that will generally stay consistent over time
3. Acquisition of Property	One time current expenses
4. Redemption of Debt	Payments due for past obligations that will eventually be paid off

Purposes

The purposes of the Character Budget are:

1. To plan for the future fiscal allocations taking into account current and past obligations.

2. To recognize one time debt redemption or acquisition of property costs which temporarily inflate the budget.

3. To provide the budget developer a picture of the budget situation over time (seven year pay back on a bond, etc.).

Steps

To develop the Character Budget the following steps are suggested:

1. Along the top of the budget sheet place five categories representing current expenses, fixed charges, acquisition of

property, redemption of debt and total.

2. Along the left side of the budget sheet identify the different components of the parks and recreation department such as administration, athletics, playgrounds, etc.

3. Fill in the appropriate space the fiscal allocation which represents the corresponding categories.

PROGRAM	CURRENT EXPENSES	FIXED CHARGES	ACQUIS- OF PROPERTY	REDEMP- TION OF DEBT	TOTAL
Administration	12,100	600	0	0	12,700
Athletics	8,600	1,200	0	0	9,800
Aquatics	14,200	6,000	0	0	20,200
Playgrounds	4,000	0	15,000	0	19,000
Indoor Center	18,900	11,000	0	16,200	46,100
Maintenance	22,100	10,000	0	0	32,100
TOTAL	79,900	28,800	15,000	16,200	139,900

Values

The advantages and disadvantages of the budget style are:

Advantages	Disadvantages
1. Provides budget picture over time.	1. Is not a very good working budget.
2. Isolate debt charges and one time large expenditure charges.	2. Generally requires a more detailed budget to explain those dollars.
3. Provides for future budget planning.	3. Is confusing to the general public.

CASE STUDY NO. 13
TOPIC: CHARACTER BUDGET

Obtain a copy of a community agency budget and answer the following questions regarding that budget.

1. What is the amount of the agency's current expenses?

$ _____

2. What are the items that make up that budgets fixed charges?

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

3. What amount of money was spent on the acquisition of property?

$ _____

4. What debt payments does that agency have?

_____

_____

_____

_____

_____

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Section 14

Increment - Decrement Budget

An extension of the Object Classification and Line Item Budgets is the Increment (increase) or the Decrement (decrease) Budget. This budget style has been the mainstay for many organizations and has been crucial to their existence. Basically, the Increment Budget consists of adding a certain percentage increase or decrease to the current year's budget. Therefore, next year's budget emerges similar to this year's budget only adjusting for a budget increase or budget decrease.

Description

Many governmental parks and recreation departments are allocated a standard percent increase in certain parts of the budget in order to remain even with various inflation index increases. For example, the utility cost of your department increases by 9.2%. Therefore, the budget authorities indicate that in next year's budget the utility section may be increased by that percentage. The personnel may have received a 7.5% increase in base salary and 1.5% increase in fringe benefits, therefore, those sections of the budget receive that percentage increment. Particularly difficult for a budgeter is when the budget receives a decrement or decrease percentage. The budget preparer is informed that the budget must be reduced by 2.4% across the board. Therefore, the budgeter is required to delete 2.4% from the budget.

Purposes

The Increment-Decrement Budget serves the following purposes:

1. Provides for a predictable rate of growth or rate of decrease over a period of time.

2. Allows for future planning, particularly long range if a specific rate of increase will be provided over that period of years.

3. Provides for some freedom on how to handle decreases in the budget. Reduce all categories equally or eliminate one category and not adjust another.

Steps

To develop the Increment-Decrement Budget the following

steps are suggested:

Step 1: Prepare or obtain the agency's budget and place the budget into the object classification style.

Step 2: Determine the percent increase or decrease which is allowed by the agency's funding authority.

Step 3: Adjust each category by the percentage increase or decrease. For example, the department receives a 15% increase for next year's budget. The administrator identifies this year's cost, adds the 15% and posts next year's budget.

This Year			Next Year		
2000	Services-Contractual		2000	Services-Contractual	
2100	Communication-Transportation		2100	Communication-Transportation	
	2110 Postage	100.00		2110 Postage	115.00
	2120 Telephone	200.00		2120 Telephone	230.00
	2140 Travel	560.00		2140 Travel	644.00

Caution: Many times the percent increases or decreases will be specifically earmarked for salary only or for operation and maintenance categories. Therefore, only those categories are allowed the increase or decrease. When decreases are mandated, usually the budget preparer has freedom to decide what categories the decrease can come from.

Values

The Increment-Decrement Budget provides the budget officer certain advantages and disadvantages.

Advantages	Disadvantages
1. Provides for orderly and predictable growth.	1. Perpetuates an attitude of consistent budget increases.
2. The budget process is simplified and easy to control.	2. Major decrements can usually only occur in the personnel section of the budget.
3. Provides for future planning if rates of increase or decrease are known.	3. This budget still does not allow for budget justification or explanation of need or inpact.

CASE STUDY NO. 14
TOPIC: INCREMENT BUDGET

Obtain a copy of a community parks and recreation budget and perform the following:

1. Provide an 8.1% increment in personnel and a 2.4% increment in operation and maintenance.

2. How much does the personnel costs of the agency represent of the total budget?

3. Perform a decrement of 2.4% in personnel and a 2.7% in operation and maintenance.

4. What decisions must be made if a continuous decrement is required in the personnel section? In the operation and maintenance sections?

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Section 15

Running Budget

Many times during the course of the fiscal year, the administrator needs to know exactly how much money has been spent in a certain category or more likely how much money the administrator has remaining in certain categories. As the year draws to a close, the fiscal picture intensifies and the administrator attempts to remain within the budget without reducing the programs before their planned conclusion. To help the administrator with this common problem is the Running Budget. This budget style provides a day to day running account of the fiscal resources enabling the administrator to make adjustments before rather than after critical circumstances.

Description

This format is somewhat unique to the parks and recreation administrator and operates very similar to a personal checking account. The administrator is aware of how much money is available in the account for certain items for the year, for example, personnel overtime. As each day passes a certain amount of the money for personnel overtime is used and is deducted from that account, leaving the remaining amount. As the end of the budget year emerges the budget officer knows how much money is in that account so that an overage does not occur.

Purposes

The Running Budget provides for a number of purposes:

1. Provides detailed day to day accounting of the budget.

2. Provides for projection of monies to be spent or activities which must be reduced in order to ascertain a balanced budget.

3. Provides for accurate and wise use of expenditures over the period of the budget year.

Steps

The Running Budget is developed by following the steps indicated:

1. Prepare a Line Item Budget with each budget category going down the left side of the budget sheet with the fiscal allocation to the immediate right side of the budget

category.

2. Along the top of the budget sheet place a box which represents each day of the budget year (June 1, June 2, etc.). Beneath the date divide the space into two equal boxes.

Item	Allocation	June 1		June 2		etc.	

3. The first column or box under the date represents the money spent that day out of the budget category. The second column or box represents the money remaining in that budget category. The fiscal allocations which have been spent are written in red ink while the allocations remaining are printed in black ink.

Item	Allo-cation	June 1		June 2		etc.
Equipment	$5,200	$816	$4,384	$32.50	$4,351.50	
Advertising	$1,000	0	$1,000	0	$1,000	
Overtime	$6,000	$100	$5,900	0	$5,900	

4. The dates continue to run along the top of the budget page, hence requiring a lengthy horizontal budget sheet. The length of the budget down the budget sheet is only as long as the budget items.

Values

The Running Budget provides the budget preparer the following:

Advantages	Disadvantages
1. A day to day cost accounting system. 2. A time line fiscal planning chart.	1. Requires another budget style to determine the amount needed for each budget category. 2. Requires day to day

3. A method of maintaining a balanced budget at the end of the year. 4. An easy way to know each day how much money has been spent and can be spent.	budget action in order to stay current. 3. Usually requires time to set up intitially. 4. Slight loss of control if more than one person is allowed to spend the department's budget.

CASE STUDY NO. 15
TOPIC: RUNNING BUDGET

Prepare a running budget on your personal expenses for a two week period using the form provided below.

ITEM(S)	ALLOCATION				

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Section 16

Benefit Cost Budget

The Benefit Cost Budget has experienced much usefulness in private enterprise particularly in cost analysis settings, however, it has been used less extensively in the parks and recreation domain. The basic concept of the benefit cost analysis is to determine the cost of a particular program, compare the cost to the benefits desired and then determine if the ratio is worth continuation relative to other options or alternatives. Probably the primary reason for non-use in governmental agencies has been the inability to quantify benefits. It is not difficult to determine cost, but how do you measure quantitatively such programs as education, police protection, slum clearance and housing. The benefits are difficult to estimate in dollars and cents.

Description

This budget style uses three words which require further definition and description.

1. Benefit: This term is used liberally by many governmental authorities and the term may have a diversity of meaning, however, before utilizing this budget system, the benefit term must have a solid and an agreeable definition. Generally benefit means the value of a particular program such as delinquency reduction, improved health, community involvement, etc. However, many of the benefits or values of a parks and recreation program are not measurable as benefits even though they are the primary purpose of the program: happiness, joy, feeling good, worthwhileness, etc. Therefore, many community authorities choose to understand benefit only in numerical terms such as program attendance rates. Before the Benefit Cost Budget is utilized, the parks and recreation administrator must define the term benefit and understand that measurement of that term may be required.

2. Cost: The term cost is defined as the complete cost of the program which is being conducted. Such items are staff, equipment, materials and overhead. Only those costs attributable to the program should be included.

3. Ratio: The mathematical relationship between the benefit and the cost as measured by numbers.

Purposes

The purposes of the Benefit Cost Budget are:

1. To provide a method by which several programs can be compared to determine which program generates the greater benefit relative to cost.

2. A method of comparing the cost of the program to some concept of benefit which is derived from the program.

3. A method of demonstrating that program provision is attempting to satisfy community needs yet still remain fiscally realistic.

Steps

To utilize the Benefit Cost Budget the following steps are suggested:

1. Define the Term Benefit: Understanding that the best measure is probably subjective, strive for a definition which is measurable (i.e. increased skill, fitness, knowledge, reduced injury, crime, errors, etc.). Again, the single most widely used definition is: program participant number (P.A.O.T. = participations at one time).

2. Determine the Cost of the Program: To determine costs, such items as research and development costs, investment costs, operation and maintenance costs, and replacement costs are usually calculated. As an example, a highway through a city would require investment costs of planning and design, purchase of right of way, demolition of existing buildings on the right of way, relocation of occupants, and actual construction costs of the road, operation, maintenance, and replacement costs which would include costs of policing, snowplowing and repairing the road.

3. Calculate Ratio: To calculate ratio, the administrator divides the benefit measure of the program into the cost measure of the program and a cost per benefit (P.A.O.T.) is generated.

It is necessary for the Benefit Cost Budget to be able to measure benefits on the same basis as cost is measured. In recreation the cost side of the budget is comparatively simple. A Line Item Budget or Object Classification format identifies the cost of the recreation program. The benefit side of the budget is more difficult. The administrator is in a difficult position when attempting to measure satisfaction, enjoyment, physical fitness, social interaction, skill development or other benefits of the recreation experience. These benefits are increasingly more difficult when the calculation must be done on an individual basis.

However, in the recreation domain, some administrators who utilize the Benefit Cost Budget have chosen to measure

benefits by participation rates. That is, the more people that participate in the recreation program the higher the numerical measure of benefit. If an increase in percentage of participation or in actual numbers of participation occurs in the recreation program then the benefit measure is calculated on that percentage or numerical basis. As an example, the recreation administrator must determine which of two programs should be funded. The administrator uses the Benefit Cost Budget to make that decision and identifies the following:

GYMNASIUM PROGRAM		POOL PROGRAM	
Costs:	$7,200.00	Costs:	$6,400.00
Benefit:	120,000	Benefit:	4,000
Ratio:	1:.06	Ratio:	1:1.60

The gymnasium program would cost $7,200.00 which would consist of the itemized costs of the program such as salaries, equipment, supplies, facilities and the like. The pool program would cost $6,400.00 and consist of approximately the same type of itemized costs. The benefit of the gymnasium program would be 120,000 participation occurances and the pool program could provide 4,000 participation occurances. Again the administrator has chosen to measure benefit by participation rate and participation rate equals the total number of people that could appropriately utilize that program for the length of the program. The benefit cost ratio of providing the gymnasium program is one participation occurance for $.06 while the pool program would have a ratio of one participation occurance for $1.60.

Values

The Benefit Cost Budget provides the following helps and hinders:

Advantages	Disadvantages
1. A method of comparing programs to determine relative costs.	1. Very difficult to define the term benefit in a "univerally" acceptable way.
2. A method of evaluating the needs of the community, satisfaction, enjoyment, etc.).	2. Comparing costs to benefits is often superficial.
3. A method of determining relative participation of a variety of programs.	3. May force an administrator to become number conscious and not benefit conscious.

4. A method of justifying one program over another.	4. Does not consider the underlying need in many instances for program subsidization.

CASE STUDY NO. 16
TOPIC: BENEFIT COST BUDGET

Contact a local parks and recreation agency and determine the costs of a small recreation program (arts and crafts, tennis clinic, racquetball tournament, etc.) and then obtain the number of participants and prepare a Benefit Cost Budget.

PROGRAM _____

COSTS _____ P.A.O.T. _____

RATIO _____

What benefits occurred that are not reflected in the participation at one time calculation?

_____ _____

_____ _____

_____ _____

_____ _____

How can true benefits be reflected into the benefit cost ratio?

_____

_____

_____

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Section 17

Capital Budget

The budget formats described to this point are all classified as operating budgets, that is, they are used to help the administrator operate the parks and recreation programs. A different type of budget is the Capital Budget which is utilized for long range and long term budget items. These items go beyond the current year's expenditures required to operate the program and include such things as land acquisition, construction of major public works such as buildings, streets, bridges, sewer systems, off-street parking, and utilities.

Description

The three main distinguishing elements that exist between a Capital Budget and an Operating Budget are:

1. Long Range Basis: The Capital Budget is not concerned with purchases that are needed just for the current situation but over a long period of time.

2. Non-Annual Analyzation: The Capital Budget is usually approved once and will last a range of six to ten years with payments occurring during that period.

3. Adoption: The Capital Budget is usually adopted and executed separately and differently than an Operating Budget.

Purposes

The purposes of a Capital Budget are:

1. To purchase large items that may require several years to purchase.

2. To prevent artificial inflation of an operational budget by including a one time large payment for a capital item.

3. To allow long range decisions to be made separate from the day to day decisions.

4. To protect the fiscal authority from loosing track of large sums of money in a day to day operating budget style.

Steps

To perform or execute a Capital Budget the following steps

should be followed:

1. Determine from the parks and recreation agency what is considered a capital budget item. Each agency will define a capital budget item based on cost. Some agencies consider any one time purchase of over $500.00 a capital item with all purchases under that figure to be non-capital while other agencies define capital budget items as high as $10,000.00.

2. Prepare a cost estimate of the capital budget item by receiving at least three estimates for the cost of the item (equipment, land, etc.).

3. Prepare a narrative justification for the need for the capital item explaining purpose, need, long range savings, alternatives and cost estimates. Remember, capital expenditure items will be required of most parks and recreation programs. The need for these items may occur with no warning as when the filtration system in the swimming pool becomes non-functional, or it may be planned for as in the acquisition and development of a new park area. Generally, capital items are purchases which are expensive, usually one time purchase items, are purchased for future intent and are not required for the day-to-day operation of the program.

Values

The advantages and disadvantages of the Capital Budget are:

Advantages	Disadvantages
1. Provides a method of dealing with one time purchases.	1. Requires separate budget format and process to adopt and execute.
2. Protects the day-to-day budget and does not artificially inflate the operating budget.	2. Requires special narrative justification and usually debate.
3. Represents a solution to emergency budget purchases.	3. Requires cost estimates and special accounting (increased work but provides increased protection.)

CASE STUDY NO. 17
TOPIC: CAPITAL BUDGET

Contact three different agencies and ascertain the answers to the following questions:

1. At what cost point is an item considered a capital expenditure item?

$_____

2. Why has that cost point been selected by that agency?

3. What capital expenditure items were purchased by that agency?

_____ _____

_____ _____

_____ _____

4. What problems does the budget officer experience with that agency's capital expenditure process?

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Section 18

Financial Statement

Parks and recreation administrators are called upon to prepare, justify and execute a financial plan or budget for their agency and many times, individual programs within that agency. Several budget methods have been presented, each with its own strengths and weaknesses, however, these budgets are used in a variety of settings. The parks and recreation administrator will either be told which budget format to utilize or the administrator will select the budget style that is most appropriate for that program or agency. When the administrator is required to follow a particular budget format the decision has been made and the administrator must utilize that style regardless of personal preference. When the administration is in a position to choose which budget format they wish to use, that decision will depend upon how the administrator conceptualizes the strengths and weaknesses of the budget format compared to the task at hand. Many times several different formats must be used either in sequence or in combination in order to justify and execute the financial plan.

Description

As a final aspect of the budget process, some mention should be made of the financial statement. This statement consists of a summary of all income and expenditures that enter into the parks and recreation agency. When an agency receives no revenue then the financial statement would be a listing of expenditures only. however, this circumstance would be very rare. Generally, the parks and recreation agency receives revenues from a number of different sources such as the general tax fund, fees and charges or concessions, etc.

Purpose

The purpose of the financial statement is:

1. To provide a clear accounting of all revenues and expenditures and determine any overage or underage.

2. To identify where monies are generated from and are expended to.

3. To isolate the percentage that each revenue and expenditure represents of the total parks and recreation budget.

Steps

To set up a financial statement the following steps should be followed:

Step 1: Determine sources of revenue to the parks and recreation department and list the amount of that revenue. It is also helpful to identify the percent that each revenue represents of the total.

REPORT OF INCOME	
Source	Receipts
Boat Slips	135
Boat Stalls	2,340
Concessions	1,700
Craft Materials	13,286
Day Camp Reservations	21,839
Golf Courses	262,459
Learn To Swim Program	7,340
Pavilion Permits	4,493
Rifle Range Permits	232
Swimming Pools	73,186
Tennis Permits	39,473
Miscellaneous Revenue	96
Total Park & Recreation Receipts	$426,579
Auditorium	274,063
Stadium	38,241
Total Auditorium & Stadium	$302,304
GRAND TOTAL ALL RECEIPTS	$728,883

Step 2: Determine all sources of expenditures that are required of the parks and recreation department. list the amount and percent of each expenditure. The sources of expenditures should be grouped into some form of general categories.

REPORT OF EXPENDITURES			
Division	Personal Services	Non-Personal Services	Total Expenditures
Parks	$ 770,031	$ 207,385	$ 977,416
Recreation	355,505	76,157	431,662
Forestry	142,787	50,130	192,917
Building Services	159,760	130,530	290,290
Meter Maintenance	46,578	6,954	53,532

Meter Checkers	45,533	4,980	50,513
Auditorium	152,182	83,793	235,975
Stadium	16,047	39,042	55,089
Administrative	32,872	1,747	34,619
TOTALS	$1,721,295	$600,718	$2,322,013

Step 3: Present both revenues and expenditures as one statement. It should be obvious that the revenue side of the financial statement is the Fund Budget and the expenditure side of the financial statement is the Unit Budget.

REPORT OF INCOME

Source	Receipts
Boat Slips	135
Boat Stalls	2,340
Concessions	1,700
Craft Materials	13,286
Day Camp Reservations	21,839
Golf Courses	262,459
Learn To Swim Program	7,340
Pavilion Permits	4,493
Rifle Range Permits	232
Swimming Pools	73,186
Tennis Permits	39,473
Miscellaneous Revenue	96
Total Park & Recreation Receipts	$426,579
Auditorium	274,063
Stadium	38,241
Total Auditorium & Stadium	$302,304
GRAND TOTAL ALL RECEIPTS	$728,883

REPORT OF EXPENDITURES

Division	Personal Services	Non-Personal Services	Total Expenditures
Parks	$ 770.031	$ 207,385	$ 977,416
Recreation	355,505	76,157	431,662
Forestry	142,787	50,130	192,917
Building Services	159,760	130,530	290.290
Meter Maintenance	46,578	6,954	53,532
Meter Checkers	45,533	4,980	50.513
Auditorium	152,182	83,793	235,975

Stadium	16,047	39,042	55,089
Administrative	32,872	1,747	34,619
TOTALS	$1,721,295	$600,718	$2,322,013

CASE STUDY NO. 18
TOPIC: FINANCIAL STATEMENT

Prepare a financial statement for a local parks and recreation agency using the form below.

AGENCY _____

REPORT OF INCOME

Source	Receipts	Percent

REPORT OF EXPENDITURES

Source	Receipts	Percent

- detach to hand into instructor -

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